CALIFORNIA STATE TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Panel Discussion – Understanding Equity Indexes ITEM NUMBER: 6

ATTACHMENT(S): 1

ACTION: ____ DATE OF MEETING: February 2, 2000

INFORMATION: X PRESENTER(S): Mr. Mitchell

EXECUTIVE SUMMARY

A continuing objective for the Investment Branch is to provide the Investment Committee with educational presentations to assist in the managing and monitoring of the investment portfolio. The topic for this panel is "Understand Equity Indexes".

During the last asset allocation review completed, total equity was divided into three segments. The Investment Management Plan listed the segments and identified the respective performance benchmarks:

Domestic Equity - Russell 3000 Index
Non-U.S. Equity - MSCI All Country ex U.S. free
Private Equity - Custom Indexes

The panel will feature Ms. Colette Taylor representing the Frank Russell Company discussing the Russell Indices and Mr. Richard Quigley representing Morgan Stanley Capital International (MSCI) discussing the MSCI indices. Their biographical data is included as Attachment 1.

This panel will discuss a variety of elements to be considered when selecting and using an equity index including:

- Background
- Index Definitions
- Rebalancing Rules

Determining the appropriate asset allocation is considered the most important function of the Investment Committee. Academic studies suggest that approximately 90% of the difference in the total rate of return between large pension plans can be attributed to the asset allocation decision. The selection of appropriate performance benchmarks are the next most important consideration. Noted academic studies suggest that the asset allocation plus index selection decision explains as much as 95% of the outcome with other factors such as market timing and stock selection contributing the final 5%.

Colette Taylor
Senior Client Account Manager
Fund Sponsor Group
Russell/Mellon Analytical Services

Colette Taylor joined Russell Analytical Service's Fund Sponsor group in 1999 as a senior client account manager. In this capacity, Colette provides comprehensive services to plan sponsor clients, educating them on specific Russell/Mellon investment tools that measure plan and portfolio performance, and interpreting portfolio analytics and investment results. She also designs and develops performance and analytical reports tailored to each client's specific needs, and researches client inquiries concerning financial markets and investment policy.

Colette joined Russell in 1988 as a technical assistant in the performance analytics area of Russell's analytical services division. She was promoted to supervisor of performance analytics in 1991, where she supervised a production team and had client service responsibilities, primarily for the *Analysis of International Management* product for Australian, U.K. and U.S. clients. In 1993, Colette transferred to Russell Analytical Services' sales and marketing department as a client account manager, and was named a senior account manager in 1996.

In 1998, she joined Russell's investment policy and research group as a research analyst, focusing on U.S. fixed income investment managers. Her research activities included ongoing evaluations of investment managers as well as analysis of newer firms. In her work with clients, Colette performed manager evaluations and made recommendations in accord with investment goals.

Colette received her B.A. in Business and Marketing from Western Washington University and her M.B.A. in Finance and Marketing from City University.

Richard Quigley
Principal and Head of Business Development

As the Head of Business Development, Richard's responsibilities include setting up new business areas such as the operation to classify companies according to our new industry classification scheme; coordinating MSCI's efforts in creating joint ventures with other financial information firms; developing and managing MSCI's acquisition strategy; developing and executing our internet strategy; and overall business planning and strategy at MSCI.

Richard joined MSCI from Van Kampen Investments, an investment management unit of Morgan Stanley Dean Witter, where he was Senior Vice President and director of strategy and new initiatives. Before joining Van Kampen, Richard was a Vice President in MSDW's Business Development, where he was a senior member of a 10-person proprietary venture capital team focused on technology-related investments and joint ventures. He also spent a number of years in consulting, having worked at Mercer Management Consulting and Andersen Consulting.

Richard received his B.A. in Economics and Political Science from Saint Joseph's University in Philadelphia, M.B.A. in Finance and International Business from the University of Notre Dame in Indiana in a joint program with the London School of Business, and his M.A. in International Political Economy from the University of Chicago.